

## § 1.9200-2

## 26 CFR Ch. I (4-1-10 Edition)

\$30,000, and goodwill valued at \$30,000. Y has \$50,000 of liabilities secured by the trucks and \$100,000 of unsecured liabilities. Both X and Y use a June 30 fiscal year for tax purposes.

(ii) Y is the only taxpayer eligible to claim a deduction under § 1.9200-1(b). If X sold its Y stock to Z in October 1980 (other than pursuant to a binding contract in effect on July 1, 1980), Y would continue to be the only taxpayer eligible to claim the deduction. However, if Y sold the operating authority to W in February 1981, neither Y nor W would be eligible to claim the monthly deduction for the remainder of the 60-month period. Also, Y would realize gain or loss on the sale after reducing its basis in the authority by any amortization claimed for the period prior to the sale.

(iii) Y must begin the 60-month period in July 1980 unless it elects under paragraph (c)(1)(ii) of this section to begin the 60-month period with the first month of the first taxable year beginning after July 1, 1980, which in Y's case would be July 1981.

(iv) Y's allowable monthly deduction is equal to its adjusted basis in the operating authority of \$60,000, divided by 60, or \$1,000. However, Y may elect under § 1.9200-1(e)(2) to allocate to its basis in the authority a portion of X's basis in Y stock, since X is a qualified acquiring party under paragraph (e)(2)(i) of this section and Y is a member of an affiliated group of which X is a member. Assuming Y makes the election, Y may allocate to the basis of the authority the amount of X's basis in Y stock that would have been allocable under section 334(b)(2) if X had received the authority in a distribution of all of Y's assets in a complete liquidation of Y immediately after X acquired Y's stock.

Therefore, for purposes of the allocation, X's \$130,000 cost basis in Y stock is deemed to be increased by Y's \$100,000 of unsecured liabilities to \$230,000. Of the \$230,000 deemed basis, \$180,000 is allocated to the authority, \$30,000 to goodwill, and \$20,000 to the trucks. Y's allowable monthly amortization deduction would be \$180,000 divided by 60, or \$3,000. X's \$130,000 cost basis in its Y stock must be decreased to \$62,174 as provided in paragraph (e)(2)(vi) of this section. Y's \$30,000 aggregate basis in its trucks remains unchanged.

*Example 2.* Assume the same facts as in Example (1), except that Y's aggregate basis in the trucks is \$120,000. If Y makes the election under § 1.9200-1(e)(2), the same allocation as in Example (1) would occur. However, in addition to the decrease in X's basis in its Y stock to \$62,174, the \$120,000 aggregate basis in the trucks must be reduced to \$112,174 (so that the \$112,174 basis minus secured liabilities of \$50,000 is equal to X's \$62,174 remaining stock basis).

*Example 3.* Assume the same facts as in Example (1), except that X pays a negotiated

purchase price of \$120,000 for the Y stock, in order to take into account an anticipated tax liability of \$10,000, relating to potential section 1245 recapture. If Y makes the election under § 1.9200-1(e)(2), then for purposes of allocating X's basis in Y stock, X's cost basis is deemed to be increased by Y's \$100,000 of unsecured liabilities as well as the \$10,000 of potential tax liability resulting from section 1245 recapture, to \$230,000. The \$10,000 of potential recapture tax is treated as a general liability and the deemed basis is allocated among Y's assets as in Example (1). In order to take into account the potential recapture tax liability, such amount must be based on the same fair market values that are used to determine the amount of the stock basis allocable to the operating authority.

(Sec. 266, Economic Recovery Tax Act of 1981 (Pub. L. 97-34; 95 Stat. 265); sec. 517, Highway Revenue Act of 1982 (Pub. L. 97-424; 96 Stat. 2097); and sec. 7805, Internal Revenue Code of 1954 (68A Stat. 917; 26 U.S.C. 7805))

[T.D. 7947, 49 FR 8247, Mar. 6, 1984; 49 FR 12244, Mar. 29, 1984]

### § 1.9200-2 Manner of taking deduction.

(a) *In general.* The deduction provided by § 1.9200-1 shall be taken by multiplying the amount of the monthly deduction determined under § 1.9200-1(c)(2) for each motor carrier operating authority by the number of months in the taxable year for which the deduction is allowable, and entering the resulting amount at the appropriate place on the taxpayer's return for each year in which the deduction is properly claimed. Additionally, any taxpayer who has claimed the deduction provided by § 1.9200-1 must (unless it has already filed a statement containing the required information) attach a statement to the next income tax return of the taxpayer which has a filing due date on or after June 4, 1984. The statement shall provide, in addition to the taxpayer's name, address, and taxpayer identification number, the following information for each motor carrier operating authority for which a deduction was claimed:

(1) The taxable year of the taxpayer for which the deduction was first claimed;

(2) Whether the taxpayer's deduction was determined using the adjusted basis of the authority under section 1012 or an allocated stock basis under § 1.9200-1(e)(2); and

(3) If an allocation of stock basis has been made under § 1.9200-1(e)(2), the calculations made in determining the amount of basis to be allocated to the authority.

(b) *Filing and amendment of returns.* A taxpayer who has filed its return for the taxable year that includes July 1, 1980, claiming the deduction allowed under § 1.9200-1, may amend its return for such year in order to elect under § 1.9200-1(c)(1)(ii) to begin the 60-month period in the subsequent taxable year. A taxpayer eligible to take the deduction under § 1.9200-1 who has filed its returns for both the taxable year that includes July 1, 1980, and the following taxable year without claiming the deduction, may claim the deduction by filing amended returns or claims for refund for the taxable year in which the taxpayer elects to begin the 60-month period, and for subsequent taxable years. If a taxpayer first claims the deduction on an amended return under the preceding sentence, the statement required by paragraph (a) of this section must be attached to such amended return.

(c) *Deduction taken for operating authority other than under § 1.9200-1.* If a deduction other than the deduction allowed under § 1.9200-1 was taken in any taxable year for the reduction in value of a motor carrier operating authority caused by administrative or legislative actions to decrease restrictions on entry into the interstate motor carrier business, the taxpayer should file an amended return for such taxable year which computes taxable income without regard to such deduction.

(Approved by the Office of Management and Budget under control number 1545-0767)

(Sec. 266, Economic Recovery Tax Act of 1981 (Pub. L. 97-34; 95 Stat. 265); sec. 517, Highway Revenue Act of 1982 (Pub. L. 97-424; 96 Stat. 2097); and sec. 7805, Internal Revenue Code of 1954 (68A Stat. 917; 26 U.S.C. 7805))

[T.D. 7947, 49 FR 8249, Mar. 6, 1984]

**§ 1.9300-1 Reduction in taxable income for housing displaced individuals.**

(a) *In general.* For a taxable year beginning in the applicable taxable year (as defined in paragraph (f)(1) of this section), a taxpayer who is a natural person may reduce taxable income by \$500 for each displaced individual (as

defined in paragraph (f)(2) of this section) to whom the taxpayer provides housing free of charge in, or on the site of, the taxpayer's principal residence for a period of at least 60 consecutive days. A taxpayer may claim the reduction in taxable income for any applicable taxable year in which a consecutive 60-day period ends. A taxpayer may not claim the reduction in taxable income unless the taxpayer includes the taxpayer identification number of the displaced individual on the taxpayer's income tax return.

(b) *Provision of housing—(1) Principal residence.* For purposes of this section, the term principal residence has the same meaning as in section 121 and the associated regulations. See § 1.121-1(b)(1) and (b)(2).

(2) *Legal interest required.* A taxpayer is treated as providing housing for purposes of this section only if the taxpayer is an owner or lessee (including a co-owner or co-lessee) of the principal residence.

(3) *Compensation for providing housing.* No reduction in taxable income is allowed under this section to a taxpayer who receives rent or any reimbursement or compensation (whether in cash, services, or property) from any source for providing housing to the displaced individual. For this purpose, lodging, utilities, and other similar items are treated as housing, but telephone calls, food, clothing, transportation, and other similar items are not treated as housing.

(c) *Limitations—(1) Dollar limitation—(i) In general.* The reduction in taxable income under paragraph (a) of this section may not exceed the maximum dollar limitation, and must be reduced by the total amount of all reductions under this section for all prior taxable years (except as provided in paragraph (c)(5) of this section). The maximum dollar limitation is—

(A) \$2,000 in the case of an unmarried individual; or

(B) \$2,000 in the case of a husband and wife, whether the husband and wife file a joint income tax return or separate income tax returns; married taxpayers filing separate income tax returns may